TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1820 - HB 2458

February 7, 2016

SUMMARY OF BILL: Authorizes a franchise and excise (F&E) tax credit for financial institutions that make grants, contributions, qualified loans, qualified low-rate loans, or qualified long-term investments to community development enterprises. Prohibits community development enterprises from charging rates of interest exceeding 24 percent per annum.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds $500,000

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-2109(k), financial institutions are granted F&E tax credits equal to:
    - Five percent of a qualified loan or qualified long-term investment made to a community development financial institution;
    - Three percent annually of the unpaid principal balance of a qualified loan made to such an institution;
    - Ten percent of a grant, contribution, or a qualified low-rate loan made to such an institution; or
    - Five percent annually of the unpaid principal balance of a qualified low-rate loan made to such an institution.
- The proposed legislation extends such tax credits to grants, contributions, qualified loans, qualified low-rate loans, or qualified long-term investments made to community development enterprises.
- According to the Department of Revenue, the amount of credit granted to financial institutions pursuant to Tenn. Code Ann. § 67-4-2109(k) has been between approximately $5,000,000 and $8,000,000 per year for the previous three fiscal years.
- Due to many unknown factors, such as the number, timing, and amount of grants, contributions, qualified loans, qualified low-rate loans, or qualified long-term investments that will be made to community development enterprises, a precise fiscal impact cannot be determined with certainty.
- However, it is reasonably estimated that the proposed expansion of the tax credit will result in a minimum of a 10 percent increase in the amount of credits granted as compared to the lowest level of credits granted over the previous three fiscal years.

- The recurring decrease in state revenue is reasonably estimated to exceed $500,000 ($5,000,000 x 10%).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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